

Idaho Legislative Audits
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State Board of Accountancy

Management Report on Internal Control

Issued: January 17, 2005
Fiscal Year: 2002, 2003, and 2004



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

STATE BOARD OF ACCOUNTANCY

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the State Board of Accountancy's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Board's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. We noted no matters involving the internal control over the Board's financial reporting or its operations that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

FINDINGS AND RECOMMENDATIONS. There were no findings and recommendations in this report, nor the prior report.

AGENCY RESPONSE. The Board has reviewed the report and in general agreement with its contents.

FINANCIAL SUMMARY. Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here. Certified and licensed public accountant fees, examination fees, and miscellaneous fees fund the Board of Accountancy. A summary of the cash basis financial activity for the Board follows.

IDAHO STATE BOARD OF ACCOUNTANCY
FINANCIAL STATEMENT – FUND 0229

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
Beginning Cash Balance	\$386,349.60	\$414,153.40	\$444,512.79
Receipts	<u>376,799.30</u>	<u>416,791.38</u>	<u>394,374.04</u>
Total Funds Available	<u>\$763,148.90</u>	<u>\$830,944.78</u>	<u>\$838,886.83</u>
Less Disbursements			
Personnel Costs	\$201,884.55	\$201,136.26	\$209,597.81
Operating Expenses	141,482.27	181,443.73	143,545.01
Capital Outlay	<u>5,628.68</u>	<u>3,852.00</u>	<u>0.00</u>
Total Disbursements	<u>\$348,995.50</u>	<u>\$386,431.99</u>	<u>\$353,142.82</u>
Ending Cash Balance	<u><u>\$414,153.40</u></u>	<u><u>\$444,512.79</u></u>	<u><u>\$485,744.01</u></u>

OTHER ISSUES. The high cash balance was discussed with the executive director. The Board feels that in order to avoid a cash shortfall, it needs \$200,000 to cover cash flow shortages which result because the bulk of its revenue is received in May and June each year from license renewal fees. In addition, the Board feels it needs \$250,000 in reserve for legal and investigative costs. Historically, each major complaint has resulted in costs of about \$50,000.

The implementation of computerized testing in January 2004 resulted in a reduction of Board receipts with a corresponding reduction in Board expenses, as they relate to examinations and grading. A reduced need for legal expertise in fiscal year 2004 accounts for the additional decrease in expenses in fiscal year 2004. However, due to the decreasing number of CPA examination candidates and the uncertainty of legal and investigative costs, the Board believes the current balance is necessary and not excessive.

This report is intended solely for the information and use of the State Board of Accountancy and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the executive director, Barbara Porter, and her staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits
Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC42204

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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